

# **MINUTES OF THE HEALTH POLICY COMMISSION**

**Meeting of January 8, 2014**

**MASSACHUSETTS HEALTH POLICY COMMISSION**

**THE HEALTH POLICY COMMISSION**  
**1 Ashburton Place, 21<sup>st</sup> Floor**  
**Boston, MA**

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**Docket: Wednesday, January 8, 2014, 12:00PM**

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1. Approval of Minutes from December 18, 2013 Meeting (APPROVED)
2. Executive Director Report
3. Quality Improvement and Patient Protection Update
4. Cost Trends and Market Performance Update
  - a. Issuance of Annual Cost Trends Report (APPROVED)
5. Community Health Care Investment and Consumer Involvement Update
  - a. Approval of CHART Investment Program Award Recipients (APPROVED)
6. Care Delivery and Payment System Reform Update
  - a. Approval of Proposed Registration of Provider Organization (RPO) Program Regulations (APPROVED)
7. Schedule of Next Commission Meeting (February 19, 2014)

## Health Policy Commission

Presented below is a summary of the meeting, including time-keeping, attendance, and votes.

**Date of Meeting: Wednesday, January 8, 2014**

**Beginning Time: 12:05 PM**

**End Time: 2:34 PM**

Board Member	Attended	ITEM 1	ITEM 4a	ITEM 5a	ITEM 6a
		Approval of Minutes from December 18	Issuance of Annual Cost Trends Report	Approval of CHART Phase 1 Grantees	Approval of Proposed RPO Regulations
Carole Allen	Yes	Yes	Yes (2 <sup>nd</sup> )	Yes	Yes (M)
Stuart Altman*	Yes	Yes	Yes	Yes	Yes
David Cutler	Yes	Yes	Yes	Yes	Yes
Wendy Everett	Yes	Yes (M)	Yes (M)	Yes	Yes
Paul Hattis	Yes	Yes	(ab)	(ab)	Yes (2 <sup>nd</sup> )
Rick Lord	Yes	Yes	Yes	Yes (M)	Yes
John Polanowicz (Ann Hwang)	Yes	Yes	Yes	Yes	Yes
Glen Shor (Kim Haddad)	Yes	A	Yes	Yes	Yes
Marylou Sudders	Yes	Yes (2 <sup>nd</sup> )	(ab)	Yes (2 <sup>nd</sup> )	A
Veronica Turner	Yes	Yes	Yes	Yes	Yes
Jean Yang	Yes	A	Yes	Yes	Yes
<b>Summary</b>	<b>11 Members Attended</b>	<b>Approved with 9 votes</b>	<b>VOTE BY ROLL CALL Approved with 9 votes</b>	<b>Approved with 10 votes</b>	<b>Approved with 10 votes</b>

\*Chairman

(M): Made motion; (2nd): Seconded motion; (ab): Abstained from Vote; (A): Absent from Meeting

## PROCEEDINGS

A regular meeting of the Massachusetts Health Policy Commission was held on Wednesday, January 8, 2014, at 1 Ashburton Place, 21<sup>st</sup> Floor, Boston, MA.

Commissioners present included Chair Stuart Altman; Dr. Carole Allen; Dr. David Cutler; Dr. Wendy Everett; Dr. Paul Hattis; Ms. Marylou Sudders; Mr. Rick Lord; Ms. Veronica Turner, and

Dr. Ann Hwang, representative for Mr. John Polanowicz, Secretary, Executive Office of Health and Human Services.

Ms. Jean Yang and Ms. Kimberly Haddad, representative for Mr. Glen Shor, Secretary, Executive Office of Administration and Finance, arrived late to the meeting.

Ms. Marylou Sudders left the meeting prior to the final vote.

Chair Altman called the meeting to order at 12:05 PM and reviewed the agenda.

## **ITEM 1: Approval of the Minutes from the December 18, 2013 Meeting**

Chair Altman solicited comments, additions, or corrections to the minutes from the December 18, 2013, Health Policy Commission meeting.

Mr. David Seltz, Executive Director for the Health Policy Commission, noted that there was a small technical edit to the minutes from Dr. Allen. This change was redlined in the minutes.

Chair Altman called for a motion to approve the minutes as amended. **Dr. Everett** made a motion to approve the minutes. After consideration, upon motion made and duly seconded by **Ms. Sudders**, it was voted unanimously to approve the minutes from the December 18, 2013, board meeting as amended.

Voting in the affirmative were the nine present Commission members. There were no abstentions and no votes in opposition.

## **ITEM 2: Executive Director Report**

Mr. Seltz welcomed everyone to the twelfth meeting of the Health Policy Commission. He presented a report regarding the status of the Commission.

Mr. Seltz reviewed the agenda for the day's meeting, highlighting votes on (1) the annual cost trends report; (2) Phase 1 grant recipients for the CHART Investment Program; and (3) draft regulations for the registration of provider organizations (RPO) program.

Mr. Seltz next provided a summary of each of these votes. He stated that commissioners heard the preliminary findings from the annual cost trends report at the December 18, 2013 board meeting. He commented that staff had completed extensive work with commissioners and stakeholders throughout the drafting process. He lauded the report as an important part of the dialogue on achieving the goals laid out by Chapter 224. He noted that staff would present on the high level findings during the day's meeting, highlighting the challenges and opportunities to improve the value of care in the state.

Mr. Seltz next reviewed the CHART Investment Program. He stated that staff would propose dispersing \$10 million to 28 community hospitals through Phase 1 of the program. He stated that the program offers an opportunity to invest in and partner with community hospitals.

*Ms. Jean Yang and Ms. Kimberly Haddad arrived at the meeting.*

Mr. Seltz reviewed the upcoming meetings for the Health Policy Commission.

Mr. Seltz asked commissioners for questions. Seeing none, Chair Altman thanked staff for their work over the holiday season and moved to the next agenda item.

### **ITEM 3: Quality Improvement and Patient Protection Update**

Ms. Marylou Sudders, Chair of the Quality Improvement and Patient Protection (QIPP) Committee, updated the Commission regarding the status and activities of the Committee.

Ms. Sudders stated that the QIPP Committee met on December 16, 2013 for a public hearing on the proposed Office of Patient Protection (OPP) regulations. She noted that staff was working on the regulations to create consistency with Chapter 224, federal law, and other regulations. Ms. Sudders stated that the Committee would hold a public meeting over the next month to review changes made to the regulations after the period of public comment.

Chair Altman asked for questions about the QIPP Committee. Seeing none, he moved to the next agenda item.

### **ITEM 4: Cost Trends and Market Performance Update**

Dr. David Cutler, Chair of the Cost Trends and Market Performance (CTMP) Committee, updated the Commission regarding the status and activities of the Committee. He stated that the day's update would surround the annual cost trends report.

Dr. Cutler reiterated that staff presented on the first half of the report at the December 18, 2013 board meeting. He commented that the cost trends report is a landmark document that will provide guidance to the medical system on opportunities for cost savings. He urged commissioners to consider what actions the HPC should take with the findings of the report.

#### **ITEM 4a: Annual cost trends report**

Dr. Cutler introduced Mr. Nikhil Sahni, Policy Director for Cost Trends and Special Projects, to review the findings in part two of the cost trends report.

Mr. Sahni reviewed the role of the HPC. He stated that the goal of the first annual cost trends report was to better understand what is happening in the health care market. He noted that the report would not discuss the cost growth benchmark, but rather provide a profile of Massachusetts and build off of data provided by the Center for Health Information and Analysis (CHIA) and Office of the Attorney General.

Mr. Sahni detailed the chapters included in the cost trends report. He noted that the first part of the report – the profile of Massachusetts – compared the state to the United States as a benchmark to identify challenges and opportunities for the health care market. Mr. Sahni

reviewed key findings from the first section, presented during the December 18, 2013 meeting. He highlighted that there had been past periods of slow health care growth in Massachusetts, but these have traditionally been followed by periods of higher growth. He noted that periods of sustained low growth are only possible with the continued effort from all stakeholders.

Mr. Sahni next reviewed the topics covered in the second part of the report. He noted that this section contained three chapters: hospital operating expenses, wasteful spending, and high cost patients. The chapters each provided actionable steps and identified potential opportunities in the system for savings. Mr. Sahni reviewed these three chapters in detail. This information can be found on the Health Policy Commission's website ([www.mass.gov/hpc](http://www.mass.gov/hpc)) under the Meeting Agendas and Materials for the January 8, 2014 Commission meeting.

Mr. Sahni reviewed variation among operating expense levels for major teaching hospitals, noting a 35% expense difference between the 25<sup>th</sup> and 75<sup>th</sup> percentiles. Ms. Yang stated that the outliers represent an important subject for analysis. She asked whether each of the hospitals were treated equally or if they were adjusted based on volume. Mr. Sahni responded that they were adjusted for volume.

Ms. Yang noted that commissioners could have a fruitful discussion if there are important differences between goods and services used by hospitals. Dr. Everett seconded that the staff should identify where the variation is (in goods or services) and then define that variation.

Dr. Cutler noted that it would be interesting to separate the clinical and nonclinical staff for the purpose of this type of analysis. Mr. Sahni responded that the labor assessed in the report includes both internal and outsourced labor.

Mr. Sahni reviewed quality performance relative to inpatient operating expenses. He stated that there are hospitals that have high performance standards while also maintaining lower costs relative to their peers. This results in higher efficiency. Chair Altman commented on the importance of teasing out the data sources to ensure that data from hospitals is consistently reported and comparable.

Mr. Sahni next reviewed the ways in which market structure influences hospital operating expenses. Chair Altman noted that this is a very important and complicated area.

Ms. Sudders asked whether there would be a larger influence if staff included Medicaid data in the analysis.

Mr. Seltz stated that it is important to think about market structure. He stated that some hospitals may have, historically, had to become more efficient because they were forced to do so by the market. He noted that a decrease in operating expenses and, in turn, an increase in efficiency is not necessarily a long-term benefit.

Mr. Sahni discussed three strategies that hospitals could use to reduce operating expenses: (1) procurement and supply chain management, (2) "lean" management principles, and (3) cost accounting. Dr. Cutler noted that this information is very important for all hospitals. Dr. Allen reiterated the importance of "lean" management principles, noting that they reduce labor costs while also redeploying people to work within their skill set.

Dr. Hattis stated that, in order to reduce costs, hospitals must manage their expenditures. He noted that the HPC's job is not to micromanage hospitals or solve the problem of cost growth, but rather to point to the problem and push the field towards solutions.

Mr. Lord asked whether the HPC could highlight best practices and successful hospitals to serve as role models for "lean" practices. Mr. Sahni responded that this would be possible in future iterations of the report when there was more solid data.

Dr. Altman noted that there is an opportunity to work with hospitals on these cost saving areas through the CHART Investment Program.

Ms. Yang asked whether there was an economic incentive that would encourage providers to do the right thing. Mr. Sahni responded that, when creating such an incentive, one would have to ensure that the savings permeated through the market. Dr. Hwang stated that there is an opportunity to create incentives to standardize practices, such as stocking or ordering supplies.

Mr. Sahni next discussed the statewide estimates for wasteful spending. He noted that 29-39% of the personal health care expenditure in 2012 was wasteful spending in the Massachusetts health care system. Mr. Seltz emphasized that the HPC does not believe that 15% of wasteful spending could be removed right away. He stated that, during the creation of Chapter 224, there was a discussion that the benchmark would be met over time by reducing waste instead of by decreasing quality or access.

Dr. Altman asked what percentage of income was spent on health care prior to the recession. Dr. Cutler estimated that it was 1% to 2%. Dr. Altman stated that Massachusetts spends about 4% on health care. He stated that the reduction from 6% to 4% is a substantial change. He commented that there needs to be a significant decrease in wasteful spending in order to keep quality and access high.

Mr. Sahni stated that there has been an ebb and flow in the market that the HPC will have to continue to monitor.

Dr. Hattis stated that from 1994-2001, six of the seven years had an increase in health care growth that was less than the increase in GDP. From this, he noted that, historically, a decrease in health care spending does not necessarily equal a decrease in GDP.

Dr. Everett noted that the wasteful spending chapter was "really good" in that it provided actionable steps and examples for decreasing spending and benchmark progress.

Dr. Allen noted that some of the categories discussed will be addressed through the patient-centered medical home (PCMH) and accountable care organization (ACO) programs. These programs are working to ensure better value to patients while also making the system work better.

Mr. Sahni discussed the final chapter of the report: high-cost patients. He noted that this chapter employed APCD data and was limited to Medicare and the commercial market. He stated that a full state analysis, including Medicaid, would be available in the summer 2014 supplemental report.

Dr. Everett noted that, at a previous meeting, the Commission opted not to use Medicaid data because it was not clean enough. She asked whether the Medicaid data skewed more towards the Medicare or commercial market. Mr. Sahni responded that the staff could not find any projections on this information because a full all-payer analysis had never been completed. He projected that the Medicaid data would skew towards Medicare.

Mr. Seltz stated that the HPC is very excited to work with the Medicaid data and have continued collaboration with MassHealth. He noted that there is a very different population in Medicaid. Dr. Marian Wrobel, Director of Research and Analysis, reiterated the differences in the Medicaid population and the importance of making cross-market comparisons.

Mr. Sahni reviewed the regional variation in the concentration of high-cost patients. He stated that there is some modest variation of the location of these patients. Dr. Cutler stated that it is unfortunate that the Medicare and commercial high-cost patients are concentrated differently because it makes the collective task more difficult.

Dr. Hwang asked whether staff could further break down the data on regional variation and overlay it with other datasets. Mr. Sahni responded that this would be possible once price is standardized.

Mr. Sahni reviewed the four key findings and conclusions from the 2013 cost trends report: (1) fostering a value-based market; (2) promoting an efficient, high-quality health care delivery system; (3) advancing alternative payment methods; and (4) enhancing transparency and data availability.

Dr. Cutler stated that these conclusions suggest how the HPC should appropriate work for 2014. He emphasized the need to look at how the Commission can move along each of these paths.

Dr. Cutler read the motion to issue the annual cost trends report. **Dr. Everett** made a motion to issue. **Dr. Allen** seconded the motion.

Ms. Sudders commented that the work completed in the report is incredible. She asked to postpone the vote to issue until commissioners had more time to review the report. Commissioners discussed the possibility of delaying the vote and decided to hold the vote at today's meeting. Ms. Sudders asked for a roll call vote on the motion to issue.

Dr. Altman began the roll call vote on the issuance of the annual cost trends report. The vote was as follows:

Ms. Haddad	<b>Yes</b>
Ms. Hwang	<b>Yes</b>
Mr. Lord	<b>Yes</b>
Ms. Sudders	<b>Abstain</b>
Dr. Hattis	<b>Abstain</b>
Dr. Cutler	<b>Yes</b>
Chair Altman	<b>Yes</b>
Dr. Everett	<b>Yes</b>



Dr. Allen	<b>Yes</b>
Ms. Yang	<b>Yes</b>
Ms. Turner	<b>Yes</b>

The board approved the issuance of the 2013 annual cost trends report. Voting in the affirmative were nine Commission members. Two Commission members abstained. There were no votes in opposition.

## **ITEM 5: Community Health Care Investment and Consumer Involvement Update**

Dr. Paul Hattis, Chair of the Community Health Care and Consumer Involvement (CHICI) Committee, updated the Commission regarding the status and activities of the Committee. Dr. Hattis stated that the Committee had not met since the last Commission meeting but that staff had been busy reviewing proposals for Phase 1 of the CHART Investment Program.

Dr. Hattis noted that the CHART Investment Program provides the HPC with the opportunity to decrease the growth in health care spending by increasing efficiency. He noted that he was delighted to be part of the Phase 1 selection process. He stated that since he was part of the review process, he would be recusing himself from the day's vote on award recipients.

### **ITEM 5a: CHART Investment Program**

Dr. Hattis introduced Mr. Iyah Romm, Director of System Performance and Strategic Investment, to provide an update.

Mr. Romm thanked other staff for their work over the past few months. He noted that many of the elements of the cost trends report weave through the CHART Investment Program.

Mr. Romm provided an overview of the proposal process for Phase 1 of CHART grants. He noted that the HPC released a request for proposals (RFP) on October 23, 2013. Under Chapter 224, there were 31 hospitals eligible for funding in Phase 1. The HPC gave the hospitals seven weeks to complete applications. During this period, staff held two question and answer sessions. At the end of the seven weeks, the HPC had received 28 proposals for Phase 1 of the Investment Program. Mr. Romm stated that there is a \$10 million cap on Phase 1 investments and that nearly \$13.5 million had been requested across all the proposals.

Mr. Romm reviewed the regulatory goals and program domains reflected in the proposals. He highlighted the goal of efficient, effective care delivery stated in 96% of applications. Mr. Romm noted that this is an area where hospitals can use technology to improve care delivery.

Mr. Romm next detailed the review process for Phase 1 proposals. He discussed the three-step process which included staff, experts, members of the Executive Office of Health and Human Services, and Dr. Hattis. He noted that the final proposals for award recipients were met through consensus score.

Mr. Romm proposed award recipients for Phase 1 of the CHART Investment Program. He stated that grants would be awarded to all 28 applications, but would vary in size from \$65,000 to \$500,000. He also stated that all awards are contingent upon amendments and request for additional detail from the applicants.

Mr. Romm provided commissioners with details on the funding proposed by each hospital. He highlighted the geographic dispersion of the grantees, noting that nearly 20% of grants were awarded to western Massachusetts's hospitals.

*Secretary Glen Shor arrived at the meeting and took the place of Ms. Kim Haddad.*

Mr. Romm reviewed the proposed plan for contracting and engaging with grantees. He reviewed the anticipated timeline for Phase 1 grants, noting that the contracts would be executed in early February.

Dr. Altman asked if there were any questions for Mr. Romm.

Dr. Hattis commented that many of the grants concerned care transition issues.

Mr. Yang asked whether staff dictates what content grantees will have to include in their reports to the HPC. Mr. Romm responded that the details of the final reports are difficult to discuss prior to contract execution. He projected that the reports will include questions involving data and lessons learned. He also noted that the report would likely be standard across all grantees. Ms. Yang encouraged the staff to finalize the format of the report as soon as possible because it will shape the work done by grantees. Mr. Romm noted that the staff hoped to propose the format of the report at the February 5, 2014 CHICI meeting.

Dr. Everett commented that the grants would not only benefit the CHART hospitals. She noted that the work completed through the grants is a positive step for providers to become more efficient. She suggested that staff work to tie together the CHART Program and the annual cost trends hearing and report. Mr. Romm seconded this idea, stating that the CHART program offers a great opportunity to ask hospitals about the conclusions drawn in the 2013 report, such as the implementation of "lean" management programs.

Dr. Hattis read the motion to approve the awards for Phase 1 of the CHART Investment Program. **Mr. Lord** made the motion. After consideration, upon motion made and duly seconded by **Ms. Sudders**, it was voted unanimously to approve the awardees.

Voting in the affirmative were the 10 Commission members. Dr. Hattis abstained from the vote due to his involvement in the selection process. There were no votes in opposition.

## **ITEM 6: Care Delivery and Payment System Perform Update**

Dr. Carole Allen, Chair of the Care Delivery and Payment System Reform (CDPSR) Committee, provided an overview of activities within the Committee. She noted that the committee met on December 16, 2013 to discuss the registration of provider organizations (RPO) program regulations. She noted that the staff had been continuously engaging with stakeholders and CHIA. Dr. Allen stated that the RPO program would mean increased work for providers, but would also yield valuable information. She stated that staff was working to minimize the burden on providers.

Dr. Allen stated that Mr. Romm would present on the proposed regulations for the RPO program at the day's meeting. She noted that, at the end of his presentation, staff would be asking commissioner's to vote to move the regulation to a public comment period.

Mr. Seltz stated that RPO is a very complex issue. As such, the HPC held three listening sessions, coordinated with many other state agencies, and proposed an extended comment period to ensure a thorough examination of the issue. He noted that the development of the program would be a long progress.

#### **ITEM 6a: Registration of Provider Organizations (RPO) Program**

Mr. Romm stated that the goals of the RPO program are to: (1) enhance transparency; (2) map the provider delivery system; and (3) create a centralized resource by compiling information about the provider market. He reviewed the definition of a provider organization and provided a brief overview of the delivery system.

Mr. Romm discussed the operational approach to creating the RPO program. He noted that the HPC is charged with collecting "front end," or organizational, data while CHIA is charged with collecting "back end," or operational, data. Mr. Romm emphasized that the two agencies would work together to streamline the data collection approach, reduce redundancy, and maximize efficiency.

Mr. Romm reviewed the regulation development. He noted that the goal of the HPC was to bring specificity to the data collection process. He highlighted three deliverables from the HPC for the RPO program: (1) a data submission manual; (2) templates for registration reporting requirements; and (3) an online platform for submissions. Mr. Romm stated that the data submission manual would be completed prior to the final approval of the regulations on RPO and would be subject to a public comment period.

*Ms. Sudders departed from the meeting.*

Mr. Romm walked commissioners through the proposed regulations for the RPO program. He reviewed the applicability of the program, the contracting dynamics, the reporting requirements, and additional specifications. He stated that the staff was working to only request data that was not available from other public sources. He also noted that the registration fee would be waived for registrants in year one.

Finally, Mr. Romm reviewed the next steps for the program. He noted that this is among the first steps in a long and complicated process. With the board's approval, the regulations would move on to a formal public hearing and comment period.

Dr. Altman suggested considering a smaller group of pilot organizations first and learning what information is vital to ask before opening for general registration.

Dr. Cutler asked whether commissioners would have the opportunity to approve the final regulation. Mr. Romm responded that the day's vote was just to move the proposed regulations

to a formal comment period. He stated that staff would return at a later meeting for a vote on the final regulations.

Mr. Romm announced a public hearing for the RPO program regulation on Wednesday, February 12, 2014 at 12:00 PM at the Center for Health Information and Analysis, Two Boylston Street, 5<sup>th</sup> Floor, Boston, MA. He noted that members of the public could submit written comments through February 28, 2014.

Dr. Allen read the motion to approve the proposed RPO program regulation. **Dr. Allen** made the motion. After consideration, upon motion made and duly seconded by **Dr. Hattis**, it was voted unanimously to approve the proposed regulation.

Voting in the affirmative were the 10 Commission members. There were no abstentions or votes in opposition.

### **ITEM 7: Schedule of Next Commission Meeting**

Following the conclusion of discussion of the final agenda item, Chair Altman announced the date of the next board meeting and adjourned the meeting of the Health Policy Commission at 2:34 PM.

## **LIST OF DOCUMENTS PRESENTED AND POSTED AFTER THE MEETING**

1. Meeting Agenda, 12/18/2013
2. Minutes of the 11/20/2013 Health Policy Commission Meeting
3. Board Presentation, 12/18/2013